

# Embedding ESG in Everything We Do

*Creating shared value has always been the overriding focus at Axis Bank. Our credo of 'Open' aptly portrays our ethos as we open our doors even wider to support our customers, employees, and the community during these trying times.*

We believe our ability to deliver to our stakeholders, especially when it mattered the most, was also strengthened because of our focus on transforming ourselves into a more agile and future-ready organisation, in which ESG is going to play a central role.

A strong ESG integration with the organisational strategy and action can not only amplify value creation, mitigate risks, enhance reputation, and deliver profitability but also help shape the pathway for future growth and success. The ongoing pandemic has severely tested the well-entrenched strategies, norms, and processes of India's corporate sector. We are now observing an even speedier shift to integrating ESG imperatives into India's business landscape and driving corporate action. Various market studies are highlighting that companies with strong ESG-aligned strategies and performance have shown greater resilience to market shocks brought on by the pandemic.

In the reporting period, Axis Bank has been giving shape to a comprehensive ESG strategy and action plan from its integration at the Board level to integrating ESG-aligned deliverables in individual, employee-level goal sheets.

## The Rise of ESG

ESG as a concept, in its various names and forms, has existed for at least two decades as an investor-led approach that assesses value creation by an organisation through the lens of their governance practices and their impact on society and the environment.

The socio-economic upheaval that the COVID-19 pandemic unleashed globally also impacted the financial markets, and various studies revealed that organisations with a strong ESG performance demonstrated stronger resilience to negative earnings and market impact from the pandemic. In this time span, data reveals that the investment inflows into ESG-aligned funds rose exponentially higher, indicating that investors saw stronger ESG performance as a more resilient investment choice.

**Notably, we are also seeing ESG increasingly becoming a larger component of corporate assessments and ratings. Globally renowned ratings agencies have explicitly begun integrating ESG parameters into their ratings considerations and even frameworks, considering ESG-aligned performance to be a material factor in determining business competitiveness, ability to manage risks and the overall strength of governance and management systems.**

Similarly, we are seeing market regulators are increasingly integrating ESG-aligned imperatives into current regulations, or even coming out with new ESG-focused regulations. In India, the RBI has been vocal in speaking on topics of ESG, green finance, and endorsed the view that the pandemic has offered the world an opportunity to accelerate a transition to an environmentally sustainable economy.<sup>1</sup>

**Similarly, SEBI too has actively promoted enhanced disclosures on ESG-aligned material aspects for the corporate sector. The Business Responsibility Report (BRR) was made mandatory for the top 500 listed companies in India in 2015, and for the next 500 listed companies in 2019. In early 2021, SEBI came out with the Business Responsibility and Sustainability Report (BRSR) as the next mandatory reporting framework for the top 1,000 listed companies in India.**

In the Bank's interactions with the investor community through the year, ESG had remained a recurring theme, highlighting its prominence in their decision-making. As highlighted in the Bank's Governance section of this Report, it has been actively scaling up its ESG-aligned strategy, governance and action, guided by its Board and the Leadership Team, also taking into consideration the inputs gathered from our engagements with our stakeholders.

## ESG Governance

### Board of Directors

ESG is now a Board-level agenda at the Bank. Since December 2020, the CSR Committee of the Bank has been providing direct oversight on its ESG strategy and direction. Additionally, the Board of Directors of the Bank, while reviewing the Bank's ESG strategy at its meeting in July 2021, recommended and approved the formation of a standalone ESG Committee of the Board, which was duly formed and held its first meeting on 20 August 2021.

In addition, delivering on the Bank's ESG strategy has also been included in the Balanced Score Cards of the pertinent Board members. Towards enhancing the understanding on ESG of the Bank's Board and its leadership, the Bank held workshops and interactions with external ESG experts, focusing on global best practices, trends and material priorities for the Banking sector.

### Department Level

At the Department-level, the Bank is in various stages of discussion and integration of pertinent ESG-related commitments and projects as part of their operational plans and into the goal sheets of key leaders.

### Key Policies Introduced and Updated

As part of its ESG Action plan for the year, we introduced, revised or released in the public domain key ESG-aligned policies to serve as our guiding principles for driving action, as well as convey our commitment and positioning to our external stakeholders. These policies have been elaborated and linked to in respective sections of this Report.

Revised or new policies that are now available in the public domain include – Policy on Environmental Management, Human Rights Policy, Diversity Equity and Inclusion Policy, Sustainable Lending Policy & Procedures, Tax Policy and Anti-Corruption and Anti-Bribery Policy.

### Management Level

At the management level, the Bank has established an ESG Steering Committee comprising the heads from key verticals at the Bank. The Steering Committee, endorsed and supported by the Executive Director (Corporate Centre), is expected to support as well as guide the Bank's Board and management on material ESG issues, as well as catalyse ESG-related initiatives and commitments across the Bank.



*Standing L to R:* Prashant Joshi (President, Wholesale Credit), Rudrapriyo Ray (President & Head - Corporate Affairs), Amit Talgeri (EVP & Chief Risk Officer)

*Sitting L to R:* Sameer Shetty (President & Head - Digital Banking), Rajkamal Vempati (President & Head - HR)

*In Absentia:* Abhijit Majumdar (SVP and Head - Investor Relations)